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Mr. Egan

AUG 14 1963

ALBERTA DISTILLERS, LIMITED
ANNUAL REPORT 1963





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ALBERTA DISTILLERS, LIMITED, CALGARY, ALBERTA

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS

Your Directors are pleased to forward this report on the operations of Alberta Distillers, Limited for the year ended May 31st, 1963.

FINANCIAL RESULTS

Sales and profits reached record levels during the year. Net profit rose 38% to \$835,986. Working capital increased \$685,633 to \$4,210,715 and the ratio of current assets to current liabilities has, for the first time since the incorporation of the Company, exceeded the accepted standard of two to one.

The Company received business interruption insurance for the period in which manufacturing of spirits was suspended as a result of the fire which occurred at the distillery in Calgary on May 5th, 1962. This indemnity, less income taxes and certain extra expenses incurred as a result of the fire, has been credited to earned surplus. Because the Company's whiskys are sold at varying ages, from 4 to 10 years, it is difficult to determine the amount allocable to any particular year. In the opinion of management, however, earnings in any specific future year will not be materially affected as a result of the fire.

MARKETING

Sales of CARRINGTON AND COMPANY, LIMITED the Company's United States sales subsidiary were \$6,094,781 compared to \$4,697,900 in 1962. This increase came about largely through increased sales of CANADA HOUSE Canadian Whisky.

In Canada, overall sales of the Company's products showed an encouraging increase during the past year,

with Ontario recording the most substantial improvement in share of market. Sales also increased in British Columbia, Manitoba and the Atlantic Provinces. Again this year, however, consumers continued to down grade their purchases with the effect that volume gains were confined, for the most part, to the lower priced brands.

An explanation of our marketing approach is presented in the material accompanying this report.

PRODUCTION AND PLANTS

Rebuilding of the still-house, which was damaged in the Calgary fire, was completed in October, 1962 and normal production was resumed without difficulty. The Company was fully compensated for the fire damage and throughout the construction period received excellent cooperation from our insurers and their representatives.

Construction of a 30,000 barrel warehouse addition at Calgary was commenced in May, 1963. This building will be completed and in use by the end of August.

Your Directors would like to express their appreciation to all the employees for their efforts which contributed so much toward making this a record year and to the Shareholders for their continuing support of ADL products.

On Behalf of the Board of Directors

George H. Reifel



ALBERTA DISTILLERS, LIMITED AND ITS SUBSIDIARIES

	ASSETS	1963	1962
CURRENT:			
Cash - - - - -	- - - - -	\$ 194,533	\$ 122,169
Accounts receivable - - - - -	- - - - -	1,927,146	1,954,847
Inventories of maturing and bottled whiskys and manufacturing supplies valued at the lower of cost or market - - - - -	- - - - -	5,299,197	5,200,257
Prepaid expenses - - - - -	- - - - -	127,655	53,567
Total current assets - - - - -	- - - - -	<u>\$ 7,548,531</u>	<u>\$ 7,330,840</u>
FIXED — AT COST:			
Trade marks - - - - -	- - - - -	\$ 2	\$ 2
Land - - - - -	- - - - -	36,713	36,713
Buildings, machinery and equipment, less accumulated depreciation of \$1,564,294 (\$1,410,977 in 1962) - - - - -	- - - - -	1,903,200	2,023,620
		<u>\$ 1,939,915</u>	<u>\$ 2,060,335</u>
OTHER:			
Fire loss account - - - - -	- - - - -	\$	\$ 47,734
Long term debt discount and expenses less amounts written off - - - - -	- - - - -	61,063	69,612
		<u>\$ 61,063</u>	<u>\$ 117,346</u>
		<u>\$ 9,549,509</u>	<u>\$ 9,508,521</u>

On behalf of the Board:

GEORGE H. REIFEL, Director.

CHARLES G. McCONVILLE, Director.

To the Shareholders of
Alberta Distillers, Limited.

AUDITORS

We have examined the consolidated balance sheet of Alberta Distillers, Limited and its subsidiaries as at May 31, 1963 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Calgary, Alberta.
July 18, 1963.



CONSOLIDATED BALANCE SHEET

MAY 31, 1963 AND 1962

	LIABILITIES	1963	1962
CURRENT:			
Bank loan — against which accounts receivable and inventories are pledged as collateral	- - - - -	\$ 2,171,500	\$ 2,814,000
Accounts payable	- - - - -	302,423	248,461
Deposits on production contracts	- - - - -	135,783	99,200
Income and other taxes payable	- - - - -	613,610	552,597
Current maturities of long term debt	- - - - -	114,500	91,500
Total current liabilities	- - - - -	<u>\$ 3,337,816</u>	<u>\$ 3,805,758</u>
LONG TERM DEBT (Note 2)	- - - - -	<u>\$ 1,500,000</u>	<u>\$ 1,650,000</u>
SHAREHOLDERS' EQUITY:			
Capital (Note 3) —			
Authorized — 5,000,000 shares without nominal or par value			
Issued — 3,592,125 shares (1962 — 3,591,125 shares)	- - - - -	\$ 1,664,816	\$ 1,662,316
Paid-in surplus	- - - - -	10,000	10,000
Earned surplus	- - - - -	3,036,877	2,380,447
		<u>\$ 4,711,693</u>	<u>\$ 4,052,763</u>
		<u>\$ 9,549,509</u>	<u>\$ 9,508,521</u>

(See accompanying notes)

REPORT

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Alberta Distillers, Limited and its subsidiaries at May 31, 1963 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,
Chartered Accountants.



ALBERTA DISTILLERS, LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEARS ENDED MAY 31, 1963 AND 1962

	1963	1962
Gross sales - - - - -	\$14,008,664	\$12,089,573
Excise and sales taxes - - - - -	8,101,071	6,742,331
Net sales - - - - -	<u>\$ 5,907,593</u>	<u>\$ 5,347,242</u>
Cost of sales (production, rack house and bottle shop costs, less sales of by-products) - - - - -	2,636,729	2,431,330
Gross Profit - - - - -	<u>\$ 3,270,864</u>	<u>\$ 2,915,912</u>
Expenses:		
Shipping costs - - - - -	\$ 96,285	\$ 80,982
Selling, advertising and promotion costs - - - - -	1,298,713	1,239,981
Interest — bank loan - - - - -	150,404	157,914
Interest — long term debt - - - - -	102,148	108,421
Salaries, office and general expenses - - - - -	275,436	274,063
Amortization of long term debt discount and expense - - - - -	8,550	9,000
Exchange adjustments - - - - -	16,323	(132,930)
	<u>\$ 1,947,859</u>	<u>\$ 1,737,431</u>
Profit before income taxes - - - - -	\$ 1,323,005	\$ 1,178,481
Income taxes (Note 4) - - - - -	641,022	576,360
Net profit for the year before special item - - - - -	<u>\$ 681,983</u>	<u>\$ 602,121</u>
Proceeds from use and occupancy insurance claim less applicable income taxes and charges relating to fire - - - - -	154,003	
Net profit for the year including special item - - - - -	<u>\$ 835,986</u>	<u>\$ 602,121</u>
Earned surplus at beginning of year - - - - -	2,380,447	1,778,326
	<u>\$ 3,216,433</u>	<u>\$ 2,380,447</u>
Less dividend paid - - - - -	179,556	
Earned surplus at end of year - - - - -	<u>\$ 3,036,877</u>	<u>\$ 2,380,447</u>

(See accompanying notes)



ALBERTA DISTILLERS, LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1963

1. Principles of Consolidation.

The consolidated financial statements include the accounts of the company and its subsidiaries, Carrington Distillers, (Ontario) Limited and Carrington and Company, Ltd., a United States company. The accounts of the United States subsidiary have been converted to Canadian dollars on the following bases: current assets and liabilities which represent substantially all the net assets of the subsidiary, at the rate of exchange in effect at the year-end and expenses and revenue at the average rate of exchange for the year.

Certain reclassifications have been made to expenses in 1962 in order to conform with the classification of accounts used in 1963.

2. Long Term Debt.

	1963	1962
6% Sinking Fund Debentures, Series A, maturing February 1, 1979 -	\$ 1,600,000	\$ 1,700,000
6½% Mortgage, due February 16, 1964 - - - - -	50,000	50,000
	<u>\$ 1,650,000</u>	<u>\$ 1,750,000</u>
<i>Deduct:</i>		
Cash or debentures repurchased on deposit with trustee - - -	\$ 35,500	\$ 8,500
Sinking fund instalments and mortgage payment due within one year -	114,500	91,500
	<u>\$ 150,000</u>	<u>\$ 100,000</u>
	<u>\$ 1,500,000</u>	<u>\$ 1,650,000</u>

3. Capital.

During the year 1,000 shares of the company's capital stock were issued for \$2,500.00 cash upon exercise of Share Purchase Warrants attached to the 6% Sinking Fund Debentures, Series A.

At May 31, 1963, 348,875 shares of the company's capital stock were reserved for exercise of Share Purchase Warrants at a price of \$3.25 per share to February 1, 1966 and \$4.25 per share thereafter to February 1, 1969 on which date the warrants expire.

4. Income Taxes.

For income tax purposes, the companies intend to claim capital cost allowances of \$13,000 in excess of depreciation recorded in the accounts thereby reducing income taxes otherwise payable for the year by \$6,500.

The accumulated reduction in income taxes payable to May 31, 1963 in respect of capital cost allowances claimed for income tax purposes in excess of depreciation recorded in the accounts amounted to \$205,200.

5. Depreciation.

Depreciation of buildings, machinery and equipment provided during the year ended May 31, 1963 amounted to \$155,721.



How Alberta Distillers, Limited uses advertising in meeting the challenge of present-day marketing

Have you ever noticed how a decision made years ago, either by accident or design, can become more and more important as time goes on?

This has happened to all of us, individuals and companies alike.

For a company is like a person — it has a personality and a way of doing things. And companies are often influenced — as are their products — by the decisions they have made in their early business life.

There are any number of reasons why our distillery, when it first went into operation years ago, could have been located elsewhere in Canada. To be closer to major markets both in Canada and the United States, to cut down on long-haul transportation, to be situated where most other distilleries are set-up, to be nearer equipment and manpower sources. All these reasons were considered — and discarded. Alberta Distillers, Limited decided to locate in Calgary.

It was the most important decision in the history of the company.

For that decision made years ago is the reason why today, in a

growing competitive age, when more and more distillery brands and products are being offered to a consumer market that is becoming more and more selective, Alberta Distillers is alone among Canadian distillers in having a unique and distinctive advantage. It is an advantage that the consumer can understand, appreciate and approve.

Never before has the business of selling whisky been as competitive, as spirited, and as costly as it is today.

The influence of the large distillers upon markets and upon marketing methods is not to be overlooked nor underestimated. The smaller distiller — we pride ourselves as being one, and with good and sufficient reason, as we shall show — must have a strong *raison d'être*, as our Quebec friends would say — or it must inevitably knuckle-under to the weight of big distillery advertising budgets, campaigns, brands and tactics.

Our “reason for being” began the very first day we decided to locate in Calgary.

Here, in the southwestern corner of Alberta, within sight of the





Rocky Mountains, nature has endowed us with a location so unique and so advantageous for the distillation of fine whiskys that we are able to offer the buying-public quality products that no other distiller in Canada can duplicate — no matter how big those distillers may be!

Mass media magazines like TIME and MACLEAN'S, as well as major-city newspapers, are telling millions of people about our unique distilling advantages. And the facts that we are reporting — in an unusual and attention-getting manner — are facts that people can accept, understand, believe, and act upon.

For example, our advertisements are telling people that we are Canada's largest single user of rye grain, and we pose the question as to what other distillers use in making their whiskys.

We are pointing up the distinctive fact that we are the only distillery in Canada to be located within the enveloping air that flows from the Rockies — and we tell why high, dry air helps make finer whiskys.

The fact that our rye grains are grown for us in the surrounding

country-side; the fact that the water we use is not ordinary water but Rocky Mountain glacial water; the fact that we are situated well over a half-mile high in altitude; the fact that we "batch-distill" rather than run a non-ending production line (have you noticed that an American distiller has "borrowed" this phrase of ours for his advertising in the States?); the fact that hot summers, cold winters, and capricious Chinook winds help give character to the grain we choose: these unique, distinctive and exclusive facts are being told to the Canadian public in our advertisements.

That is why we feel that we can more than hold our own in the competitive marketing race in Canada — and in the United States, too.

With fine quality products, with things to say about ourselves and our whiskys no other distillery can repeat, with an ever-growing loyalty among our customers and consumers, with employees and shareholders and friends who believe in us, in our products, and in what we have to say and what we have to sell, Alberta Distillers, Limited will remain an ever-increasing force to be considered in the Canadian distilling industry.





ALBERTA DISTILLERS, LIMITED
CALGARY, CANADA
AND ITS SUBSIDIARIES

board of directors	Mervyn A. Dutton William C. Mainwaring Charles G. McConville William H. McLallen George H. Reifel Harry F. Reifel Charles H. Wills
officers	George H. Reifel, <i>President</i> Harry F. Reifel, <i>Vice-President</i> Charles G. McConville, <i>Vice-President</i> Charles H. Wills, <i>Secretary</i> Ernest Fleury, <i>Assistant Secretary</i> Allen R. Chadsey, <i>Marketing Director</i>
registrar and transfer agent	Eastern Trust Company, Toronto, Ontario; Vancouver, British Columbia; Calgary, Alberta
bankers	Canadian Imperial Bank of Commerce, Vancouver, British Columbia
auditors	Clarkson, Gordon & Co. Elveden House, Calgary, Alberta
distillery and registered office	14th Street and 34th Avenue, S.E., Calgary, Alberta
executive and sales offices	722 Nelson Street, Vancouver, British Columbia
eastern Canada sales offices	39 Newcastle Street, Mimico, Ontario
United States sales offices	Carrington & Company, Ltd., 666 Fifth Avenue, New York, N.Y. Harry M. Silver, <i>President</i>
shares listed	Toronto Stock Exchange Vancouver Stock Exchange Calgary Stock Exchange

